

# CORPORATE GOVERNANCE

## OUR ROLE

We, as the Manager of CMMT, set the strategic direction of CMMT and make recommendations to the Trustee, in its capacity as trustee of CMMT on any investment or divestment opportunities for CMMT and the enhancement of the assets of CMMT in accordance with the stated investment strategy for CMMT. The research, evaluation and analysis required for this purpose are coordinated and carried out by the Manager.

As the Manager, we have general powers of management over the assets of CMMT. Our primary responsibility is to manage the assets and liabilities of CMMT for the benefit of the Unitholders of CMMT. We do this with a focus on generating rental income and enhancing asset values over time so as to maximise returns from the investments and ultimately, the distribution and total returns to Unitholders.

Our other functions and responsibilities of the Manager include:

- (a) using our best endeavour to conduct CMMT's business in a proper and efficient manner in the best interests of the Unitholders;
- (b) preparing annual business plans for review by the Directors of the Manager, including forecasts on revenue, net income and capital expenditure, explanations on major variances in previous years' financial results, written commentaries on key issues and underlying assumptions for rental rates, operating expenses and other relevant assumptions;
- (c) ensuring compliance with relevant laws and regulations, including but not limited to the Companies Act 2016, the Capital Markets and Services Act 2007 (CMSA), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia) (Listing Requirements), the Securities Commission's (SC) Guidelines on Listed Real Estate Investment Trusts (REITs Guidelines), Licensing Handbook, written directions, notices, codes and other applicable guidelines issued by SC and/or Bursa Malaysia and the tax rulings issued by the Inland Revenue Board of Malaysia on the taxation of CMMT and its Unitholders as well as any updates and amendments to such relevant laws and regulations;
- (d) attending to all regular communications with Unitholders; and
- (e) supervising Knight Frank Property Management Sdn. Bhd. and Zaharin Nexcap Property Consultants Sdn. Bhd. (collectively, the Property Managers), which pursuant to the property management agreements, perform the day-to-day property management functions (including leasing, marketing & promotion, operations coordination and other property management activities) for CMMT's properties namely Gurney Plaza, Sungei Wang Plaza<sup>1</sup>, 3 Damansara and 3 Damansara Office Tower, The Mines and East Coast Mall.

The Manager also considers sustainability issues (including environmental and social factors) as part of its responsibility. CMMT's environmental, sustainability and community outreach programmes are set out on pages 125 to 129 of the CMMT's Annual Report 2020. Please refer to the Sustainability Management section of CMMT's Annual Report 2020.

The Manager administers the enterprise risk management and ensures that internal controls are in place to mitigate and manage the risks as set out in the Enterprise Risk Management section of CMMT's Annual Report 2020.

CMMT, constituted as a trust, is externally managed by the Manager. The Manager appoints experienced and well qualified personnel to run its day-to-day operations.

1 CMMT's interest in Sungei Wang Plaza comprises (i) 205 strata parcels within the mall which represents approximately 61.9% of the aggregate retail floor area of Sungei Wang Plaza, and (ii) 100.0% of the car park bays in Sungei Wang Plaza.

## CORPORATE GOVERNANCE

The Manager was appointed in accordance with the terms of the deed dated 7 June 2010 (as amended, supplemented or restated from time to time) (Trust Deed). The Trust Deed outlines certain circumstances under which the Manager can be removed, including by notice in writing given by the Trustee upon the occurrence of certain events, or by resolution passed by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened held in accordance with the provisions of the Trust Deed.

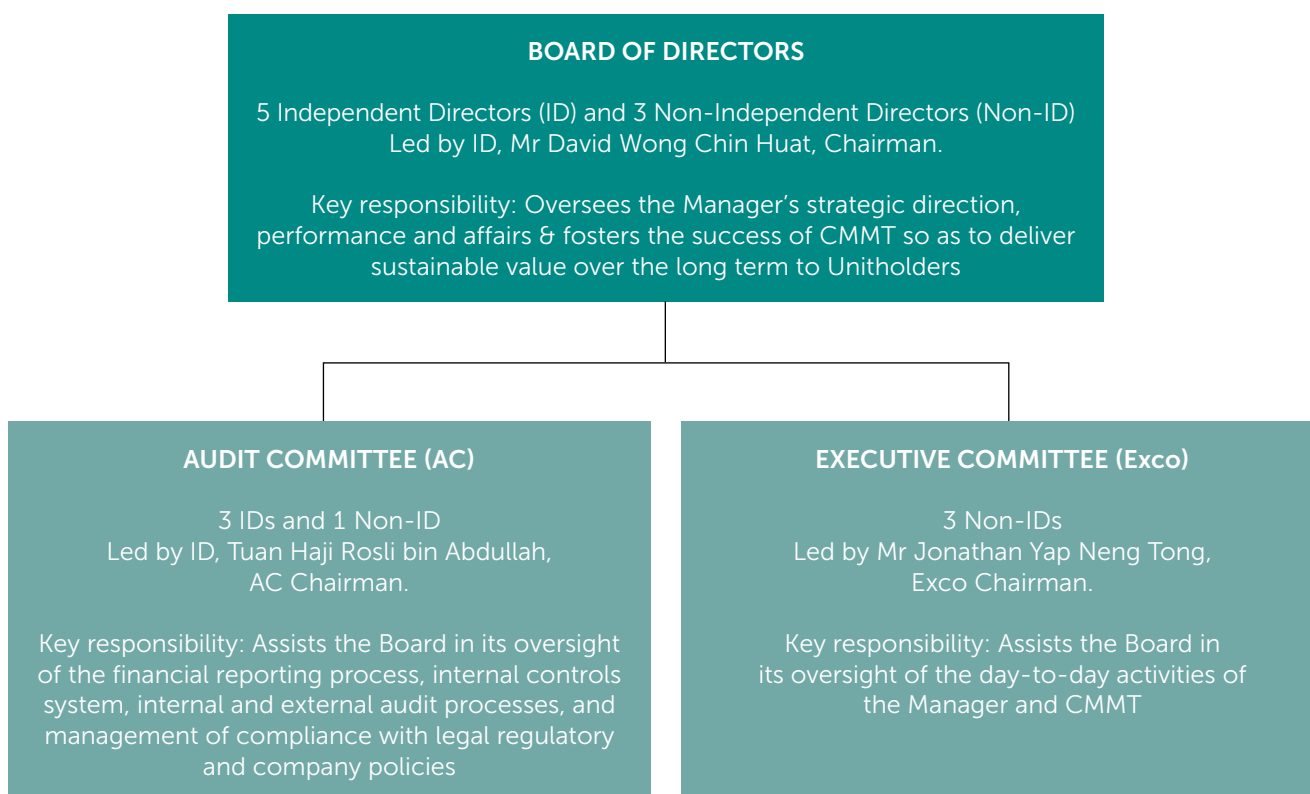
The Manager is a subsidiary of CapitaLand Limited (CapitaLand or CL) which also holds a significant unitholding interest in CMMT. CapitaLand is a long-term real estate developer and investor, with a vested interest in the long-term performance of CMMT. CL's significant unitholding in CMMT demonstrates its commitment to CMMT and as a result, CL's interests is aligned with that of other Unitholders. The Manager's association with CapitaLand provides the following benefits, among other things, to CMMT:

- (a) a stable pipeline of property assets through CapitaLand's development activities;
- (b) wider and better access to banking and capital markets;
- (c) fund raising and treasury support; and
- (d) access to a bench of experienced management talent.

### OUR CORPORATE GOVERNANCE FRAMEWORK AND CULTURE

The Manager embraces the tenets of good corporate governance, including accountability, transparency and sustainability. It is committed to enhancing long-term Unitholder value and has appropriate people, processes and structure to direct and manage the business and affairs of the Manager with a view to achieving operational excellence and delivering CMMT's long-term strategic objectives. The policies and practices developed meet the specific business needs of the CMMT and provide a firm foundation for a trusted & respected business enterprise.

Our corporate governance framework is set out below:



The Board of Directors (Board) sets the tone from the top and is responsible for the Manager's corporate governance standards and policies, underscoring their importance to the Manager and CMMT.

This Corporate Governance Report (Report) sets out the corporate governance practices for financial year (FY) 2020 with reference to the principles of the Malaysian Code on Corporate Governance (Code).

Throughout FY 2020, the Manager has complied in general with the principles of corporate governance laid down by the Code and substantially, with the underlying provisions of the Code. Where there are deviations, appropriate explanations are provided in this Report. This Report also sets out additional policies and practices adopted by the Manager which are not provided in the Code.

## BOARD MATTERS

### *Intended Outcome 1.0*

*Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.*

***Practice 1.1: The board should set the company's strategic aims, ensures that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards and ensure that its obligations to its shareholders and other stakeholders are understood and met.***

The Board oversees the strategic direction, performance and affairs of the Manager, in furtherance to the Manager's primary responsibility in fostering the success of CMMT so as to deliver sustainable value over the long term to Unitholders. It provides overall guidance to the management team (Management), led by the Chief Executive Officer (CEO). The Board works with Management to achieve CMMT's objectives and long-term success and Management is accountable to the Board for its performance. Management is responsible for the execution of the strategy for CMMT and the day-to-day operation of CMMT's business.

The Board establishes goals for Management and monitors the achievement of these goals. It ensures that proper and effective controls are in place to assess and manage business risks and compliance with requirements under the Listing Requirements, REITs Guidelines as well as any other applicable guidelines prescribed by Bursa Malaysia, SC or other relevant authorities and such other applicable laws. It also sets the disclosure and transparency standards for CMMT and ensures that obligations to Unitholders and other stakeholders are understood and met. The goals and achievements of CMMT are set in the Balance Scorecard approved by the Board and measured at the end of each financial year. The Board also receives periodic reports on the risks, compliance, conflicts of interest and internal controls managed and applied by Management for CMMT and the Manager.

The Directors are fiduciaries and are collectively, as the Board and individually, are obliged at all times to act honestly and objectively in the best interests of CMMT. Consistent with this principle, the Board is committed to good ethics and integrity of action and has adopted a Board Code of Business Conduct and Ethics (Board Code) which provides that every Director is expected to, among other things, adhere to the highest standards of ethical conduct. All Directors are required to comply with the Board Code. This sets the appropriate tone from the top in respect of the desired organizational culture and assists the Board in ensuring proper accountability by the Manager. In line with this, the Board has a standing policy that a Director must not allow himself or herself to get into a position where there is a conflict between his or her duty to CMMT and his or her own interests. Where a Director has a conflict of interest in a particular matter, he or she will be required to disclose his or her interest to the Board, recuse himself or herself from deliberations on the matter and abstain from voting on the matter. Every Director has complied with this policy, and where relevant, such compliance has been duly recorded in the minutes of meeting or written resolutions.

Furthermore, the Directors have the responsibility to act with due diligence in the discharge of their duties and ensure that they have the relevant knowledge to carry out and discharge their duties as Directors, including understanding their roles as executive, non-executive, and IDs, the business of CMMT and the environment in which CMMT operates. The Directors are also required to dedicate the necessary effort, commitment and time of their work as Directors, and are expected to attend all meetings of the Board, unless unusual circumstances make attendance impractical.

## CORPORATE GOVERNANCE

### Board Committees

The Board has established various Board Committees to assist in the discharge of its functions. These Board Committees are the Audit Committee (AC) and the Executive Committee (Exco). The Corporate Disclosure Committee was dissolved with effect from 1 February 2020 and the Board now undertakes all the responsibilities for approving corporate disclosures other than certain non-material and routine disclosures which approvals are delegated to Management.

All the Board Committees have clear written terms of reference setting out their respective composition, authorities and duties. Each of these Board Committees operates under delegated authority from the Board with the Board retaining overall oversight. The decisions and significant matters discussed at the respective Board Committees are reported to the Board on a periodic basis. The minutes of the Board Committee meetings which record the key deliberations and decisions taken during these meetings are also circulated to all Board members for their information. The composition of the various Board Committees is set out under the Corporate Information section of CMMT's Annual Report 2020. The duties and responsibilities of the Board Committees are set out in this Report.

The Board may form other Board Committees from time to time as dictated by business imperatives. The composition of each Board Committee is also reviewed as and when there are changes to Board membership and is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees.

### Meetings of Board and Board Committees

Board and Board Committee meetings are scheduled prior to the start of each financial year in consultation with the Directors. The Constitution of the Manager (Constitution) permits the Directors to participate in Board and Board Committee meetings via audio or video conference. If a Director is unable to attend a Board or Board Committee meeting, he or she may provide his or her comments to the Chairman or the relevant Board Committee chairman ahead of the meeting and these comments are taken into consideration in the deliberations. The Board and Board Committees may also make decisions by way of written resolutions. In addition to scheduled meetings, the Board may also hold ad hoc meetings as and when required by business imperatives.

At each scheduled Board meeting, the Board is apprised, amongst others, of the following:

- (a) significant matters discussed at the AC meeting which is typically scheduled before the Board meeting;
- (b) AC's recommendation on CMMT's periodic and year-end financial results following AC's review of the same;
- (c) decisions made by Board Committees in the period under review;
- (d) updates on the CMMT Group's business and operations in the period under review, including market developments and trends, as well as business initiatives and opportunities;
- (e) financial performance, budgetary and capital management related matters in the period under review, including any material variance between any projections in budget or business plans and the actual results from business activities and operations;
- (f) any risk management issues that materially impact CMMT's operations or financial performance;
- (g) updates on key Unitholder engagements in the period under review, as well as analyst views and market feedback; and
- (h) prospective transactions which Management is exploring.

This allows the Board to develop a good understanding of the progress of CMMT Group's business as well as the issues and challenges faced by CMMT, as well as promotes active engagement with Management.

The Manager adopts and practises the principle of collective decisions and therefore, no individual Director influences or dominates the decision-making process. There is mutual respect and trust among the Directors and therefore the Board benefits from a culture of frank and rigorous discussions. Such discussions conducted on a professional basis contribute to the dynamism and effectiveness of the Board. The Board composition is such that there is diversity in views and perspectives which enriches deliberations and contributes to better decision-making by the Board. At Board and Board Committee meetings, all the Directors actively participate in discussions, and particularly, they engage in open and constructive debate and will challenge the Management on its assumptions and recommendations.

A total of four Board meetings were held in FY 2020. A table showing the attendance record of the Directors at meetings of the Board and Committees in FY 2020 is set out on page 110 of the Corporate Governance section of CMMT's Annual Report 2020. The Manager believes in the manifest contribution of its Directors beyond attendance at formal Board and Committee meetings. To judge a Director's contributions based on his attendance at formal meetings alone would not do justice to his overall contributions, which include being accessible to Management for guidance or exchange of views outside the formal environment of Board and Board Committee meetings. In addition to the formal meetings held in FY 2020, Management has received and benefitted from the strategic guidance of the Board through the Directors having had many interactive sessions with Management in person and also through electronic means.

#### Directors' Development

In view of the increasingly demanding, complex and multi-dimensional roles of a Director, the Board recognises the importance of continuous training and development for its Directors so as to equip them to discharge the duties and responsibilities of their office based on their abilities as Directors. The Manager has in place a training framework to guide and support the Manager towards meeting the objective of having a Board which comprises individuals who are competent and possess up-to-date knowledge and skills necessary to discharge duties and responsibilities. Newly appointed Directors who have no prior experience as a director of a listed issuer are provided with training on the roles and responsibilities of a director of a listed issuer in accordance with the listing rules of the MMLR.

Upon appointment, each Director is provided a copy of the Director's Manual (which includes information on a broad range of matters relating to the role, duties and responsibilities of a director). All Directors, upon appointment, also undergo an induction programme which focuses on orientating the Director to CMMT's business, operations, strategies, organisation structure, responsibilities of the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Manager (key management personnel), as well as financial and governance practices. Through the induction programme, the new Director also gets acquainted with members of Management which facilitates their interaction at Board meetings.

Following their appointment, Directors are provided with opportunities for continuing education in areas such as Directors' duties and responsibilities, changes to regulations and accounting standards and industry-related matters, so as to be updated on matters that affect or which may enhance their performance as Directors or Board Committee members. The Directors may also recommend suitable training and development programmes to the Board. In FY 2020, the training and professional development programmes for the Directors included seminars conducted by experts and senior business leaders on board practices and issues faced by boards. The Directors also regularly receive reading materials on topical matters or subjects as well as updates on regulatory changes and their implications. The Board has been continuously briefed and updated on the Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Act") and the gap analysis addressed with the policies and procedures put in place by Management for the Manager's compliance as guided by the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the MACC Act.

All Directors attended the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Malaysia, within four months of their appointments. Training programmes, seminars and conferences attended by the Directors during FY 2020 are set out on page 111 of the Corporate Governance section of CMMT's Annual Report 2020.

## CORPORATE GOVERNANCE

***Practice 1.2: A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.***

The Board presently comprises eight Directors, five of whom are IDs. The Chairman of the Board is a non-executive ID. Profiles of the Chairman and the Directors are provided in the Board of Directors' Profile section of CMMT's Annual Report 2020.

During FY 2020, the non-executive independent Chairman, Mr David Wong Chin Huat, has been responsible for:

- (a) providing leadership to the Board so that the Board can perform its responsibilities effectively;
- (b) overseeing the Board agenda and interfacing between Management and Board members for delivery of information required at each Board meeting;
- (c) leading all Board meetings and discussions;
- (d) encouraging active participation and allowing dissenting views to be freely expressed by the Directors;
- (e) managing the interface between Board and Management on all other matters;
- (f) ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board; and
- (g) leading the Board in establishing and monitoring good corporate governance practices in the Manager.

***Practice 1.3: The positions of Chairman and CEO are held by different individuals.***

The roles and responsibilities of the Chairman and the CEO are held by separate individuals, in keeping with the principles that there be a clear division of responsibilities between the leadership of the Board and Management and that no one individual has unfettered powers in decision making. The non-executive independent Chairman is Mr David Wong Chin Huat, whereas the CEO is Ms Low Peck Chen. They do not share any family ties. The Chairman and the CEO enjoy a positive and constructive working relationship between them and support each other in their respective leadership roles.

The Chairman provides leadership to the Board and facilitates the conditions for the overall effectiveness of the Board, Board Committees and individual Directors. This includes approving the agenda set for the Board meetings and ensuring that there is sufficient information provided and time given at meetings to address all agenda items, and promoting open and constructive engagement among the Directors as well as between the Board and the Management on strategic issues.

The Chairman devotes considerable time to understanding the business of CMMT, as well as the issues and the competition that CMMT faces. He plays a leadership role by providing oversight, direction, advice and guidance to the CEO. He also maintains open lines of communication and engages with other members of Management regularly, and acts as a sounding board for the CEO on any strategic and significant operational matters.

The Chairman also ensures that the Board works together with Management with integrity, competency and moral authority, and that the Board engages Management in deliberations on strategy, business operations and enterprise risks.

The CEO has full executive responsibilities to manage CMMT's Group business and to develop and implement policies approved by the Board.

The separation of the roles and responsibilities between the Chairman and the CEO and the resulting clarity of roles provide a healthy professional relationship between the Board and Management, facilitates robust deliberations on CMMT Group's business activities and the exchange of ideas and views to help shape CMMT's strategic process thus ensuring an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

Since the roles of the Chairman and the CEO are held by separate individuals who are not related to each other, whereby the Chairman is an ID, no lead ID is appointed.

***Practice 1.4: The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.***

The Board is supported by a suitably qualified and competent Company Secretary (the Secretary). The Directors also have separate and independent access to the Company Secretary of the Manager (Company Secretary). The Company Secretary keeps herself abreast of relevant developments. She has oversight of corporate secretarial administration matters and advises the Board and Management on corporate governance matters. The Company Secretary attends Board meetings and assists the Chairman in ensuring that procedures are followed. The Company Secretary also facilitates the induction programme for new Directors and oversees professional development administration for the Directors. The appointment and the removal of the Company Secretary is subject to the Board's approval.

During FY 2020, the Secretary has provided updates on amendments to the Companies Act 2016, REITs Guidelines, Listing Requirements, the Corporate Liability Provision under Section 17A of the MACC Act and other related laws for the Manager's and Board's information.

***Practice 1.5: Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.***

The Manager recognises the importance of providing the Board with complete, adequate and timely information prior to Board meetings and on an on-going basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities.

The Secretary of the Manager works with the Chairman and Management to ensure that Board papers and agendas are provided to each Director at least five working days in advance of the Board meetings so that they can familiarise themselves with the matters prior to the Board meetings.

The Board meets regularly and at each Board meeting, the CEO provides updates on CMMT's business and operations as well as its financial performance. Presentations in relation to specific businesses areas are also made by key executives and external consultants or experts. This allows the Board to develop a good understanding of the progress of CMMT's business as well as the issues and challenges facing CMMT, and also promotes active engagement between the Board and the key executives of the Manager.

In line with the Manager's ongoing commitment to minimise paper wastage and reduce its carbon footprint, the Manager does not provide printed copies of Board and Board Committee meeting materials. Instead, the Directors are provided with tablet devices to enable them to access and review meeting materials prior to and during meetings. This initiative also enhances information security as the meeting materials are made available through a secure channel. The Directors are also able to review and approve written resolutions using tablet devices.

The Manager practices timely circulation of the minutes of the Board and Committee meetings after each meeting. Minutes are complete and accurately reflect the deliberations and decisions of the Board and Board Committees, including whether any Director abstained from voting or deliberating on any matter.



## CORPORATE GOVERNANCE

### *Intended Outcome 2.0*

*There is demarcation of responsibilities between the board, board committees and management. There is clarity in the authority of the board, its committees and individual directors.*

**Practice 2.1:** *The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies: -*

- › *The respective roles and responsibilities of the board, board committees, individual directors and management; and*
- › *Issues and decisions reserved for the board.*

The Board's duties and responsibilities have been guided by a Board Charter and in FY 2020 include:

- (a) approving CMMT's broad policies, strategies and objectives;
- (b) approving annual budgets, major funding including capital management proposals, investment and divestment proposals;
- (c) reviewing at least annually the adequacy and effectiveness of the risk management and internal control systems including financial, operational, compliance and information technology controls of CMMT and the Manager;
- (d) reviewing and approving succession plans for Directors;
- (e) reviewing and approving the appointment of and succession plan for the CEO; and
- (f) reviewing and approving the Board's compensation.

The Board Charter is periodically reviewed to reflect changes to the Board's policies, procedures and processes as well as any development in statutes and regulations that may have an impact on the discharge of the Board's duties and responsibilities.

The Board has also adopted a set of internal control which establishes financial approval limits for capital expenditure, investments, divestments, bank borrowings and issuance of debt instruments and this is clearly communicated to Management in writing. The Board has reserved authority to approve certain matters including:

- (a) material acquisition, investments and divestments;
- (b) issue of new units in CMMT (Units);
- (c) income distributions and other returns to Unitholders; and
- (d) matters which involve a conflict of interest for a controlling Unitholder or a Director.

Apart from matters that specifically require the Board's approval, the Board delegates authority for transactions below the Board's approval limits to Board Committees and Management to optimize operational efficiency.

### *Intended Outcome 3.0*

*The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.*

*The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.*

**Practice 3.1:** *The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering. The Code of Conduct and Ethics is published on the company's website.*



The Manager adheres to an ethics and code of business conduct policy which deals with issues such as confidentiality, conduct and work discipline, corporate gifts and concessionary offers. Clear policies and guidelines on how to handle work place harassment and grievances are also in place.

The policies and guidelines are published on CapitaLand's Intranet which is accessible by all employees of the Manager. The policies that the Manager has implemented aim to help to detect and prevent occupational fraud mainly in three ways.

First, the Manager offers fair compensation packages, based on practices of pay-for-performance and promotion based on merit to its employees. The Manager also provides various healthcare subsidies and financial assistance schemes to alleviate the common financial pressures its employees face.

Secondly, clearly documented policies and work procedures incorporate internal controls which ensure that adequate checks and balances are in place. Periodic audits are also conducted to evaluate the efficacy of these internal controls.

Finally, the Manager seeks to build and maintain the right organisational culture through its core values, educating its employees on good business conduct and ethical values. This is achieved through orientation training of new employees and periodic training updates for existing employees.

#### *Bribery and Corruption Prevention Policy*

The Manager adopts a strong stance against corruption and bribery. In addition to clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, all employees of the Manager are required to make a declaration on an annual basis where they pledge to uphold the Manager's core values and not to engage in any corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity in their work and business dealings. This is in line with the Corporate Liability Provision under Section 17A of the MACC Act which came into force on 1 June 2020.

During FY 2020, the Board reviewed the anti-bribery and anti-corruption policy and adopted the same for the Manager's compliance (ABC Policy). The ABC Policy underpins CMMT Group's strategies in identifying, preventing and managing bribery and corruption issues. The ABC Policy applies to all Directors, managers and employees of the Manager in dealing with external parties in the commercial context. The Manager's zero tolerance policy towards corruption and bribery has been extended to its business dealings with third parties. Pursuant to the ABC Policy, amongst others, the Manager requires that certain agreements incorporate anti-bribery and anti-corruption provisions and communication of the zero tolerance policy towards corruption and bribery is disseminated to all third parties in all correspondences to emphasise the Manager's commitment and seriousness. The ABC Policy is reviewed periodically to ensure that it continues to remain relevant, appropriate and effective to enforce the principles highlighted therein and to ensure continued compliance with the prevailing laws relating to corruption and bribery in Malaysia. A copy of the ABC Policy can be found on CMMT's website at [www.cmmt.com.my](http://www.cmmt.com.my) (Website).

A set of comprehensive communication slides has been established to communicate and disseminate the Corporate Liability Provision under Section 17A of the MACC Act as well as the ABC Policy throughout the CMMT Group through online training modules and other communication channels. The compliance with the policies and procedures put in place as guided by the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the MACC Act will be monitored closely, both on an ongoing basis and in conjunction with the annual assessment of the CMMT Group's corruption risks. The annual risk assessment is carried out to identify the corruption risks to which the CMMT Group is exposed to and the appropriateness of the mitigation measures established to minimise the exposure to these risks.

## CORPORATE GOVERNANCE

### *Anti-Money Laundering and Countering the Financing of Terrorism Measures*

The Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFA) lays down various activities which AMLATFA views as unlawful activities and which the Manager must be aware of. The Manager has applied a policy on the prevention of money laundering and terrorism financing and is alert at all times to suspicious transactions. As part of its business operational practices, the Manager performs due diligence checks on its counterparties in order to ensure that it is able to detect any suspicious money laundering and terrorist financing activities and it does not enter into business transactions with terrorist suspects or other high-risk persons or entities.

Under this policy, all relevant records or documents relating to business relations with the CMMT's Group's customers or transactions entered into must be retained for a period of at least seven years following the termination of such business relations or the completion of such transactions.

All prospective employees, officers and Capital Markets Services Representatives Licence (CMSRL) representatives of the Manager are also screened against various money laundering and terrorism financing information sources and lists of designated entities and individuals provided by SC. Periodic training is provided by the Manager to its Directors, employees and CMSRL representatives to ensure that they are updated and aware of applicable anti-money laundering and countering of terrorism financing regulations, the prevailing techniques and trends in money laundering and terrorism financing and the measures adopted by the Manager to combat money laundering and terrorism financing.

### ***Practice 3.2: The board establishes, reviews and together with management implements policies and procedures on whistleblowing.***

A whistle-blowing policy and other procedures are put in place to provide the Manager's employees and parties who have dealings with the Manager with well defined, accessible and trusted channels to report suspected fraud, corruption, dishonest practices or other improprieties in the workplace, and for the independent investigation of any reported incidents and appropriate follow up action.

The objective of this policy is to encourage the reporting of such matters so that employees or external parties making any reports in good faith will be able to do so with the confidence that they will be treated fairly and, to the extent possible, be protected from reprisal. The AC reviews all whistle-blowing complaints at its scheduled meetings. Independent, thorough investigation and appropriate follow up actions are then taken. The outcome of each investigation is reported to the AC. All employees of the Manager are informed of this policy which is made available on CapitaLand's Intranet. During FY 2020, the policy was reviewed by the Board and a copy of the policy can be found on the Website.

### *Intended Outcome 4.0*

*Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.*

### ***Practice 4.1: At least half of the board comprises independent directors. For Large Companies<sup>2</sup>, the board comprises a majority independent directors***

The Board has a strong independent element: it presently comprises eight Directors, five of whom (including the Chairman) are IDs. None of the IDs had served on the Board for nine years or longer. Profiles of the Directors are provided in the Board of Directors' Profile section of CMMT's Annual Report 2020 reflecting that there is a majority of IDs on the Board of the Manager being manager of CMMT.

The Board reviews from time to time the size and composition of the Board and each Board Committee, with a view of ensuring that its size is appropriate in facilitating effective decision making, and the composition reflects a strong independent element as well as there is balance and diversity of throughout and in their background. The review takes into account the scope and nature of CMMT Group's operations, and the competition that it faces.

2 Large Companies refers to (1) Companies on the FTSE Bursa Malaysia Top 100 Index; or (2) Companies with market capitalisation of RM2 billion and above, at the start of the companies' financial year.

**Practice 4.2:** *The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director. If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process*

**Practice 4.3:** *The board has a policy which limits the tenure of its independent directors to nine years (Step Up)*

The Board assesses annually (and as and when circumstances require) the independence of each Director in accordance with the Listing Requirements, REITs Guidelines and the guidance in the Code. A Director is considered independent if he or she is independent in conduct, character and judgement and:

- (a) has no relationship with the Manager, its related corporations, its major shareholders, CMMT's major Unitholders (being Unitholders who have interests in voting Units with 10% or more of the total votes attached to all voting Units) or the Manager's officers that could interfere, or be reasonably perceived to interfere with the exercise of his or her independent business judgement in the best interests of CMMT;
- (b) is independent from the management of the Manager and CMMT, from any business relationship with the Manager and CMMT, and from every major shareholder of the Manager and every major unitholder of CMMT;
- (c) is not a major shareholder of the Manager or a major unitholder of CMMT;
- (d) is not employed by the Manager or CMMT or their related corporations; and
- (e) has not served on the Board for a continuous period of nine years or longer.

There is a rigorous process to evaluate the independence of each ID. As part of the process:

- (a) each ID provides information on his business interests and confirms, upon appointment, as well as on an annual basis, that there are no relationships which interfere with the exercise of his independent business judgement in the best interests of Unitholders; and such information is reviewed by the Board; and
- (b) the Board also reflects on the respective IDs' conduct and contributions at Board and Board Committee meetings, specifically, whether the relevant ID has exercised independent judgement in discharging his or her duties and responsibilities.

Each ID is required to recuse himself or herself from the Board's deliberations on his or her independence. In appropriate cases, the Board also reviews the independence of an ID as and when there is a change of circumstances involving the ID. In this regard, an ID is required to report to the Manager when there is any change of circumstances which may affect his or her independence.

The Board has carried out the assessment of each of the independence of its IDs for FY 2020 and the paragraphs below set out the outcome of the assessment.

Mr David Wong Chin Huat, Tuan Haji Rosli bin Abdullah, Mr Tan Boon Peng, Mr Lui Chong Chee and Encik Mohd Yusof bin Hussian do not have any relationships which interfere with the exercise of their independence and have therefore demonstrated independence of character and judgement in the discharge of his/her responsibilities as a Director of the Manager in FY 2020. The Board was satisfied that each relevant non-executive Director had acted with independent judgement.

On the bases of the declarations of independence provided by the relevant ID and the guidance in the Code, REITs Guidelines and the Listing Requirements, the Board determined that each of Mr David Wong Chin Huat, Tuan Haji Rosli bin Abdullah, Mr Tan Boon Peng, Mr Lui Chong Chee and Encik Mohd Yusof bin Hussian is an ID. Each of the above Directors had recused himself from the Board's deliberations on his independence.

## CORPORATE GOVERNANCE

The Manager believes that Board renewal is a necessary and continual process, for good governance and ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of CMMT's business; renewal or replacement of a Director therefore does not necessarily reflect his/her performance or contributions to date. The Board has established the guideline that an ID will serve for an initial two three-year terms and any extension of term up to a maximum period of nine years (inclusive of the initial two terms served) will be individually considered by the Board.

***Practice 4.4: Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.***

***Practice 4.5: The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.***

The Board embraces diversity and formally adopted a Board Diversity Policy in FY 2020. The Board Diversity Policy provides that the Board shall comprise talented and dedicated Directors with a diverse mix of expertise, experience, perspectives, skills and backgrounds, with due consideration given to other diversity factors including but not limited to diversity in business or professional experience, age and gender.

The Board believes in diversity and values the benefits that diversity can bring to the Board in its deliberations. Diversity enhances the Board's decision making capability and ensures that the Manager has the opportunity to benefit from all available talent and perspectives.

The Board, in carrying out its duties of determining the optimal composition of the Board in its Board renewal process, identifies possible candidates and makes recommendations of board appointments to the Board whilst considers diversity factors such as age, educational, business and professional backgrounds of its members. Female representation is also considered an important aspect of diversity. The current Board comprises eight members who are professionals with varied backgrounds, expertise and experience including in finance, retail management, investment, real estate, legal and accounting. The current Board has one female member, being the CEO of the Manager.

***Practice 4.6: In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.***

***Practice 4.7: The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.***

The Board undertakes the functions of a nominating committee and therefore, the Manager does not have a separate nominating committee. The Board performs the functions that such a committee would otherwise perform.

The Board is able to undertake the functions of a nominating committee because:

- (a) the Manager is a dedicated manager to CMMT and in general, REITs (including CMMT) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched if the responsibilities of a nominating committee were also undertaken by the Board as the Board would be able to give adequate attention to such issues;
- (b) the focused scope of the business of CMMT also means a manageable competency requirement for the Board such that the Board is able to manage the duties of a nominating committee; and
- (c) the IDs form at least half of the Board and the Chairman is an ID which demonstrate that the IDs play a substantive role, and assures the objectivity and independence of the decision-making process concerning nomination. This also mitigates any concerns of conflict which can be managed by having the conflicted Directors abstain from the decision-making process. Further, conflict situations are less likely to arise in matters of nomination.

The Board has a formal and transparent process for the appointment and re-appointment of Directors. All Board appointments are made based on merit and approved by the Board. The Board's scope of duties and responsibilities includes:

- (a) reviewing the size and composition of the Board, succession plans for the Directors, structure and membership of the Board Committees;
- (b) reviewing the process and criteria for the evaluation of the performance of the Board, Board Committees and Directors;
- (c) considering annually and, as and when circumstances require, if a Director is independent; and
- (d) reviewing whether a Director has been adequately carrying out his or her duties as a Director.

### Board Composition and Renewal

The Board strives to ensure that there is an optimal blend in the Board of backgrounds, experience and knowledge in business and general management, with expertise relevant to the CMMT Group's business and track record, whereby each Director can bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made in the interests of the CMMT Group.

There is a structured process for determining Board composition and for selecting candidates for appointment as Directors. The Board evaluates the Board's competencies on a long term basis and identifies competencies which may be further strengthened in the long term. Board succession planning takes into account the need to maintain flexibility to effectively address succession planning and to ensure that the Manager continues to attract and retain highly qualified individuals to serve on the Board. The process ensures that the Board composition is such that the Board has capabilities and experience which are aligned with CMMT's strategy and environment.

Board succession planning is carried out through the annual review of the Board's composition as well as when a Director gives notice of his or her intention to retire or resign. The Board seeks to refresh its membership progressively and in an orderly manner, whilst ensuring continuity and sustainability of corporate performance.

The Board may retain external consultants from time to time to assist the Board in identifying suitable candidates for appointment to the Board. Candidates are identified based on the needs of CMMT and the relevant skills required, taking into account, among other things, the requirements in the Listing Requirements, REITs Guidelines and the Code, as well as the factors in the Board Diversity Policy. The candidates will be assessed against a range of criteria including their skills and expertise, market and industry knowledge. The Board also considers the qualities of the candidates, in particular whether they are aligned to the strategic directions and values of CMMT. In addition, the Board assesses the candidates' ability to commit time to the affairs of CMMT, taking into consideration their other current appointments.

#### *Intended Outcome 5.0*

*Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.*

***Practice 5.1: The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome. For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.***

The Manager believes that oversight from a strong and effective Board goes a long way towards guiding a business enterprise to achieving success.

Whilst Board performance is ultimately reflected in the long-term performance of CMMT Group, the Board believes that engaging in a regular process of self-assessment and evaluation of board performance provides an opportunity for the Board to reflect on its effectiveness including the quality of its decisions, and for Directors to consider their performance and contributions. It also enables the Board to identify key strengths and areas for improvement which are essential to effective stewardship and attaining success for CMMT.

## CORPORATE GOVERNANCE

As part of the Manager's commitment towards improving corporate governance, the Board has approved and implemented a process to evaluate annually the effectiveness of the Board as a whole and that of each of its Board Committees and individual Directors. As part of the process, a questionnaire is sent to the Directors, and the evaluation results are aggregated and reported to the Chairman of the Board. The overall evaluation results are also shared with the Board and follow up action is taken where necessary with a view to enhance the effectiveness of the Board and individual Directors in the discharge of its or their duties and responsibilities respectively.

### Board and Board Committees

The evaluation categories covered in the questionnaire included Board composition, Board processes, strategy, performance and governance, access to information and Board Committee effectiveness. As part of the questionnaire, the Board also considered whether the creation of value for Unitholders has been taken into account in the decision-making process. For FY 2020, the outcome of the evaluation was satisfactory and the Directors on the whole provided affirmative ratings across all the evaluation categories.

### Individual Directors

The evaluation categories covered in the questionnaire include Director's duties, contributions, conduct and interpersonal skills, as well as strategic thinking and risk management. For FY 2020, the outcome of the evaluation was satisfactory and each of the Directors on the whole received affirmative ratings across all the evaluation categories.

The Board also recognises that contributions by an individual Director can take different forms including providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and accessibility to Management outside of the formal environment of Board and/or Committee meetings.

### Board Evaluation as an Ongoing Process

The Board believes that the performance evaluation should be an ongoing process and the Board achieves this by seeking feedback on a regular basis. The regular interactions among the Directors, and between the Directors and Management, also contribute to this ongoing process. Through this process of engaging its members, the Board also benefits from an understanding of shared norms among Directors which also contributes to a positive Board culture. The collective Board performance and the contributions of individual Directors are also reflected in, and evidenced by, synergistic performance of the Board in discharging its responsibilities as a whole by providing proper guidance, diligent oversight and able leadership, as well as lending support to Management in steering CMMT in the appropriate direction, for the long-term performance of CMMT whether under favourable or challenging market conditions.

#### *Intended Outcome 6.0*

*The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives. Remuneration policies and decisions are made through a transparent and independent process.*

***Practice 6.1: The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. Remuneration policies and decisions are made through a transparent and independent process.***

The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. These policies are in line with CMMT Group's business strategy and the executive compensation framework is based on the key principle of linking pay to performance, which is aligned with the long-term success of CMMT. Pay-for-performance is emphasised by linking total remuneration to the achievement of corporate and individual goals and objectives. The Board has access to independent remuneration consultants for advice on remuneration matters as and when required.



In terms of the process adopted by the Manager for developing and reviewing policies on remuneration and determining the remuneration packages for Directors and key management personnel, the Manager, through an independent remuneration consultant, takes into account compensation benchmarks within the industry, as appropriate, so as to ensure that the remuneration packages payable to Directors and key management personnel are in line with the objectives of the remuneration policies. It also considers the compensation framework of CL as a point of reference. The Manager is a subsidiary of CL which also holds a significant stake in CMMT. The association with the CL Group puts the Manager in a better position to attract and retain better qualified management talent whereby it provides an intangible benefit to the Manager such that it allows its employees to associate themselves with an established corporate group which can offer them the depth and breadth of experience and enhanced career development opportunities.

In FY 2020, an independent remuneration consultant, Willis Towers Watson, provided professional advice on Board and executive remuneration. Willis Towers Watson, the consultant, is not related to the Manager, its controlling shareholder, its related corporations nor to any of its Directors.

#### **Remuneration Policy for Key Management Personnel**

The remuneration framework and policy is designed to support the implementation of CMMT Group's strategy and deliver sustainable Unitholder value. The principles governing the Manager's key management personnel remuneration policy are as follows:

##### *Business Alignment*

- › Focus on generating rental income and enhancing asset value over time so as to maximise returns from investments and ultimately the distribution and total return to Unitholders.
- › Provide sound and structured funding to ensure affordability and cost-effectiveness in line with performance goals.
- › Enhance retention of key talent to build strong organisational capabilities.

##### *Motivate Right Behaviour*

- › Pay for performance – align, differentiate and balance rewards according to multiple dimensions of performance.
- › Strengthen line-of-sight by linking rewards with performance.

##### *Fair & Appropriate*

- › Ensure competitive remuneration relative to the appropriate external talent markets.
- › Manage internal equity such that the remuneration systems are being viewed as fair across the CMMT Group.
- › Significant and appropriate portion of pay-at-risk, taking into account risk policies of the CMMT Group, symmetrical with risk outcomes and sensitive to the risk time horizon.

##### *Effective Implementation*

- › Maintain rigorous corporate governance standards.
- › Exercise appropriate flexibility to meet strategic business needs and practical implementation considerations.
- › Facilitate employee understanding to maximise the value of the remuneration programmes.

#### **Remuneration for Key Management Personnel**

Remuneration for key management personnel comprises a fixed component, variable cash component and employee benefits. A significant proportion of key management personnell's remuneration is in the form of variable compensation, awarded in a combination of short-term and long-term incentives, in keeping with the principle that the interests of key management personnel align with those of Unitholders and that the remuneration framework links rewards to corporate and individual performance. The fixed component for key executives comprises the base salary, fixed allowances and compulsory employer contribution to the employees' Employees Provident Fund. The variable cash component comprises the Balanced Scorecard Bonus Plan which is linked to the achievement of annual performance targets for each key management personnel as agreed at the beginning of the financial year with the Board.



## CORPORATE GOVERNANCE

Under the Balanced Scorecard Framework, CMMT Group's strategy and goals are translated to performance outcomes comprising both quantitative and qualitative targets in the dimensions of:

- (a) Financial: This includes targets relating to profitability, distributions, capital structure, capital recycling and risk management;
- (b) Execution: This includes targets relating to occupancy rates, operational efficiency and stakeholder engagement;
- (c) Future Growth: This includes targets relating to portfolio management and asset enhancements; and
- (d) Sustainability: This includes targets relating to talent management, competency development and sustainability corporate practices.

These are cascaded down throughout the organisation, thereby creating alignment across the CMMT Group.

After the close of each year, the Board reviews CMMT Group's achievements against the targets set in the Balanced Scorecard and determines the overall performance taking into consideration qualitative factors such as the business environment, regulatory landscape and industry trends.

In determining the payout quantum for each key management personnel under the plan, the Board considers the overall business performance and individual performance as well as the affordability of the payout for the Manager.

For FY 2020, remuneration for key management personnel comprises a fixed component, a performance-based variable cash component, a performance-based variable equity-based component or cash-based component and market related benefits. For the equity-based or cash-based component, for FY 2020, either shares of CapitaLand or cash was awarded pursuant to the Balanced Scorecard Bonus Plan of CapitaLand.

***Practice 6.2: The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management. The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.***

The Board undertakes the functions of a remuneration committee and therefore, the Manager does not have a separate remuneration committee. The Board performs the functions that such a committee would otherwise perform.

The Board is able to undertake the functions of a remuneration committee based on the following:

- (a) the Manager is a dedicated manager to CMMT. In general, REITs (including CMMT) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched by reason of it undertaking the responsibilities of a remuneration committee and the Board would be able to give adequate attention to such issues relating to remuneration matters; and
- (b) the IDs form at least half of the Board and the Chairman is an ID, which demonstrates that the IDs play a substantive role and assures the objectivity and independence in the decision-making process concerning remuneration. This also mitigates any concerns of conflict which can be managed by having the conflicted Directors abstain from the decision-making process. Further, conflict situations are less likely to arise in matters of remuneration.

In undertaking this function, the Board considers all aspects of remuneration, including overseeing the design and implementation of the remuneration policy and the specific remuneration packages for each Director and key management personnel. No Director, however, is involved in any decision of the Board relating to his own remuneration.

#### Intended Outcome 7.0

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.1:** There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

The Directors' fees for FY 2020 are shown in the table below. The CEO who is an executive Director, is remunerated as part of the key management personnel of the Manager and does not receive any Director's fees. The non-executive Directors who are employees of the CL Group also do not receive any Directors' fees. The compensation policy for Directors is based on a scale of fees divided into basic retainer fees for serving as Director and additional fees for attendance of and serving on any of the Committees. The framework for the non-executive Directors' fees has remained unchanged from that of the previous financial year.

The compensation package is benchmarked against market, taking into account the effort, time spent and demanding responsibilities on the part of the non-executive Directors in light of the scale, complexity and geographic scope of CMMT Group's business. The remuneration of non-executive Directors is reviewed from time to time to ensure that it is appropriate to attract, retain and motivate the non-executive Directors to provide good stewardship of the Manager. As a show of support and solidarity to tenants and key stakeholders, in line with CapitaLand's action, the Board voluntarily took 5% cut in the total Directors' fees for FY 2020.

#### Directors' Fees<sup>1</sup>

Board Members	FY 2020 (RM)
David Wong Chin Huat	181,481
Tuan Haji Rosli bin Abdullah	148,200
Tan Boon Peng	83,600
Lui Chong Chee <sup>2</sup>	37,886
Mohd Yusof bin Hussian <sup>2</sup>	32,186
Jonathan Yap Neng Tong <sup>3, 5</sup>	75,469
Lim Cho Pin Andrew Geoffrey <sup>5</sup>	195,330
Ronald Tay Boon Hwee <sup>4, 5</sup>	79,012
Dato' Mohammed bin Haji Che Hussein <sup>6</sup>	91,316
Ng Chih Kaye <sup>6</sup>	96,066

1 Inclusive of attendance fees of (a) RM5,000 (local director) and RM8,000 (foreign director) per meeting attendance in person, (b) RM2,000 per meeting attendance via tele-conference or video conference, and (c) RM2,000 per project or verification meeting subject to a maximum of RM20,000 per Director per annum.

2 Appointed as a Director and a Member of the Audit Committee with effect from 1 October 2020.

3 Appointed as a Director and a Member of the Executive Committee with effect from 6 July 2020.

4 Resigned as a Director and a Member of the Executive Committee with effect from 6 July 2020.

5 In respect of the Directors who are nominees of CapitaLand, the Director's fees are payable to CapitaLand Financial Limited.

6 Resigned as a Director and a Member of the Audit Committee with effect from 1 October 2020.

**CORPORATE  
GOVERNANCE**

*Practice 7.2: The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.*

*Practice 7.3: Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis. (Step Up)*

The Manager has opted not to disclose the top 5 Senior Management's remuneration. In arriving at its decision, the Manager has taken into account the intense competition for talent in the industry, as well as the need to balance the confidentiality and commercial sensitivities associated with remuneration matters. In addition, the remuneration of the CEO and other key management personnel of the Manager is paid out of the fees that the Manager receives (of which the quantum and basis have been disclosed), and is not being borne by CMMT.

*Intended Outcome 8.0*

*There is an effective and independent Audit Committee. The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.*

*Practice 8.1: The Chairman of the Audit Committee is not the Chairman of the board.*

*Practice 8.2: The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.*

*Practice 8.3: The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.*

The AC has established an External Auditors' Independence Guideline that considers among others:

- (a) The competence, audit quality and resource capacity of the external auditor (EA) in relation to the audit;
- (b) The nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
- (c) The written assurance obtained from the EA confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The AC has reviewed the nature and extent of non-audit services provided by the EA during FY 2020 and the fees paid for such services. The AC also undertook a review of the independence of the EA, taking into consideration, among other factors, CMMT's relationship with the EA in FY 2020, as well as the processes and safeguards adopted by the Manager and the EA relating to audit independence. Based on the review and the results of the assessment by Management of the EA in FY 2020, the AC is satisfied that the EA are adequately resourced, effective and independent, the latter of which was confirmed through the provisions of the EA's written confirmation of their independence to the AC. The aggregate amount of fees paid and payable to the external auditors for FY 2020 was RM190,000, of which audit (and audit related) fees amounted to RM181,450 and non-audit fees amounted to RM8,550.

***Practice 8.4: The Audit Committee should comprise solely of independent directors (Step Up).***

The Chairman of the AC is not the Chairman of the Board. At present, the AC comprises four members, all non-executive, a majority of whom (including the Chairman of the AC) are independent. The members bring with them invaluable recent and relevant managerial and professional expertise in accounting, auditing and related financial management domains. None of the AC members was previously a partner of the incumbent external auditors, KPMG PLT (KPMG), within the period of two years commencing on the date of their ceasing to be a partner of KPMG. The AC also does not comprise former partners of CMMT's incumbent external auditors, KPMG (a) within a period of two years commencing from the date of their ceasing to be partners of KPMG; or (b) who has any financial interest in KPMG.

The AC has explicit authority to investigate any matter within its terms of reference. Management provides the fullest co-operation in providing information and resources, and in implementing or carrying out all requests made by the AC. The AC has direct access to the internal and external auditors and full discretion to invite any Director or key management personnel to attend its meetings. Similarly, both the internal and external auditors have unrestricted access to the AC.

***Practice 8.5: Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.***

All members of the AC undertook continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

At present, there is a level of financial literacy amongst the AC members who have sufficient understanding of CMMT's business.

**Key Audit Matters**

In the review of the financial statements of the CMMT Group for FY 2020, the AC has discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The AC reviewed the valuation of the investment properties, being the key audit matter as reported by the EA for FY 2020.

The AC was updated of the valuation methodologies and key assumptions applied by the valuers for the investment properties in arriving at the valuations. Due diligence of the valuers' competency and independence was also presented to the AC.

The AC reviewed the outputs from the valuation process of the investment properties and held discussions with Management to review the valuation methodologies, focusing on significant changes in fair value measurement and key drivers of the changes including the reasonableness of the capitalisation rates adopted by the valuers.

The AC considered the findings of the EA, including their assessment of the appropriateness of valuation methodologies and the key assumptions applied in the valuation of the investment properties.

No significant matter came to the attention of the AC during the review.

The AC was satisfied with the valuation process, the methodologies used and the valuation of the investment properties.

In FY 2020, the AC also met with the internal and external auditors, separately and without Management's presence, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors.

In FY 2020, changes to accounting standards, accounting systems and accounting issues which have a direct impact on the financial statements were reported to and discussed with the AC at its meetings.

## CORPORATE GOVERNANCE

### *Intended Outcome 9.0*

*Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.*

*The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.*

### ***Practice 9.1: The board should establish an effective risk management and internal control framework.***

The Manager maintains an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance and information technology (IT) risks to safeguard Unitholders' interests and CMMT Group's assets.

The Board has overall responsibility for the governance of risk and oversees the Manager in the design, implementation and monitoring of the risk management and internal control systems.

The AC and Exco assist the Board in carrying out the Board's responsibility of overseeing the risk management framework and policies for CMMT Group.

The AC and Exco, guided by their respective terms of reference, and in particular, during FY 2020:

- (a) made recommendations to the Board on CMMT Group's risk strategy, risk appetite and risk limits;
- (b) assessed the adequacy and effectiveness of the risk management and internal control systems established by the Manager to manage risks;
- (c) oversaw the formulation, updating and maintenance of an adequate and effective risk management framework, policies and strategies for managing risks that were consistent with CMMT Group's risk appetite and reported to the Board on its decisions on any material matters concerning the aforementioned;
- (d) made the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal controls systems could be made by the Board in CMMT's Annual Report 2020; and
- (e) considered and advised on risk matters referred to it by the Board or Management, including reviewing and reporting to the Board on any material breaches of the RAS (as defined below) any material non-compliances with the approved framework and policies and the adequacy of any proposed actions.

### ***Practice 9.2: The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.***

The Manager adopts an Enterprise Risk Management (ERM) Framework which sets out the required environmental and organisational components for managing risks in an integrated, systematic and consistent manner. The ERM Framework and related policies are reviewed annually.

As part of the ERM Framework, the Manager undertakes and performs a Risk and Control Self-Assessment (RCSA) annually to identify material risks along with their mitigating measures. The adequacy and effectiveness of the systems of risk management and internal controls are reviewed at least annually by Management, the AC and the Board.

CMMT Group's Risk Appetite Statement (RAS), incorporating the risk limits, addresses the management of material risks faced by CMMT Group. Alignment of CMMT Group's risk profile to the RAS is achieved through various communication and monitoring mechanisms (including key risk indicators set for Management) put in place across the various functions within the Manager.

More information on the Manager's ERM Framework including the material risks identified can be found in the Enterprise Risk Management section of CMMT's Annual Report 2020.

The internal and external auditors conduct reviews of the adequacy and effectiveness of the material internal controls (including financial, operational, compliance and IT controls) and risk management systems. This includes testing, where practicable, material internal controls in areas managed by external service providers. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the AC and Exco. The AC also reviews the adequacy and effectiveness of the measures taken by the Manager on the recommendations made by the internal and external auditors in this respect.

The Board has received assurance from the CEO, the Chief Financial Officer and the relevant key management personnel of the Manager who have responsibility regarding various aspects of risk management and internal controls that the systems of risk management and internal controls for the CMMT Group are adequate and effective to address the risks (including financial, operational, compliance and IT risks) which the Manager considers relevant and material to its current business environment.

The CEO, the Chief Financial Officer and the relevant key management personnel of the Manager have obtained similar assurances from the respective risk and control owners for the purposes of Board assurance.

Based on the ERM Framework and the reviews conducted by Management and both the internal and external auditors, as well as the assurance from the CEO and the Chief Financial Officer of the Manager, the Board is of the opinion, that the system of risk management and internal controls (including financial, operational, compliance and IT risks) which the CMMT Group considers relevant and material to its current business environment as at 31 December 2020 is adequate. No material weakness in the systems of risk management and internal controls were identified by the Board or the AC in the review for FY 2020.

The Board notes that the systems of risk management and internal control established by the Manager provide reasonable assurance that CMMT Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

*Intended Outcome 10.0*

*Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.*

***Practice 10.1: The Audit Committee should ensure that the internal audit function is effective and able to function independently.***

The Manager has in place an internal audit (IA) function supported by CapitaLand's Internal Audit Department (CL IA) which reports directly to the AC. CL IA is independent of the activities it audits. The AC has carried out a review and is of the view that the internal audit function performed by CL IA is, effective and independent. CL IA plans its internal audit schedules in consultation with, but independently of, Management and its plan is submitted to the AC for approval prior to the beginning of each financial year. The AC also meets with CL IA at least twice a year without the presence of Management. CL IA has unfettered access to the Manager's documents, records, properties and employees, including access to the AC. During FY 2020, CL IA has conducted all audit assignments pursuant to the 2020 annual internal audit plan as approved by AC and has also on a quarterly basis reported to AC a summary of the Related Party Transactions and Recurrent Related Party Transactions entered into by CMMT.

**CORPORATE  
GOVERNANCE****Practice 10.2: The board should disclose:**

- (a) *whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;*
- (b) *the number of resources in the internal audit department;*
- (c) *name and qualification of the person responsible for internal audit; and*
- (d) *whether the internal audit function is carried out in accordance with a recognised framework.*

CL IA is adequately resourced and staffed with persons having relevant qualifications and experience. CL IA is a corporate member of The Institute of Internal Auditors Inc. (IIA), Singapore, which is an affiliate of the IIA with its headquarters in the United States of America (USA). CL IA subscribes to, and is guided by, the International Standards for the Professional Practice of Internal Auditing (Standards) developed by IIA, and has incorporated these Standards into its audit practices. With respect to FY 2020, the AC has reviewed and is satisfied as to the adequacy and effectiveness of the IA function.

None of the CL IA team members are related to the CEO nor Management. To ensure that internal audits are performed by competent professionals, CL IA recruits and employs suitably qualified professional staff with the requisite skill sets and experience. For instance, CL IA staff who are involved in IT audits have the relevant professional IT certifications and are also members of the Information System Audit and Control Association (ISACA) Singapore Chapter, a professional body administering information system audit and information security certifications that is headquartered in the USA. The ISACA Information System Auditing Standards provide guidance on the standards and procedures to be applied in IT audits. CL IA identifies and provides training and development opportunities for its staff to ensure that their technical knowledge and skill sets remain current and relevant.

As of 31 December 2020, CL IA staff strength is at 35 persons, including Head of CL IA.

CL IA is headed by Ms Jenny Tan. She has more than 10 years of experience in Internal Audit, Compliance and Group Finance. Ms Tan has a Masters of Professional Accounting (MPA) from University of Adelaide (Australia) as well as a Masters of Business Administration (MBA) from the University of Leicester (UK).

**Intended Outcome 11.0**

*There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.*

*Stakeholders can make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.*

**Practice 11.1: The board ensures there is effective, transparent and regular communication with its stakeholders.**

The Manager is committed to keeping all Unitholders, other stakeholders, analysts and the media informed of the performance and changes in CMMT or its business which would likely materially affect the price or value of the Units. This is performed on a timely and consistent basis to assist Unitholders and investors in their investment decisions.

The Manager has in place an Investor Relations and Corporate Communications team which facilitates effective communication with Unitholders, analysts and the media. The Manager also maintains the website which contains information on CMMT including but not limited to current and past announcements and new releases, financial statements, investor presentations and annual reports of CMMT.



The Manager actively engages with Unitholders with a view to solicit and understand their views, and has put in place a Unitholders' Communication and Investor Relations Policy (Policy) to promote regular, effective and fair communication with Unitholders. The Policy, which sets out the mechanism through which Unitholders may contact the Manager with questions and through which the Manager may respond to such questions, is available on the Website. Unitholders are welcomed to engage with the Manager beyond general meetings and they may do so by contacting the Investor Relations department whose details may be found on the Website under the heading "Manager Contacts" or email the Manager at [ask-us@cmmt.com.my](mailto:ask-us@cmmt.com.my).

The Manager has a formal policy on corporate disclosure controls and procedures to ensure that CMMT complies with its disclosure obligations under the Listing Requirements. These controls and procedures incorporate the decision-making process and an obligation on internal reporting of the decisions made.

More information on the Manager's investor and media relations with Unitholders can be found in the Investor & Media Relations section of CMMT's Annual Report 2020.

CMMT's distribution policy is to distribute at least 90.0% of its distributable income (other than gains from the sale of real estate properties by CMMT which are determined to be trading gains), with the actual level of distribution to be determined at the Manager's discretion. FY 2020 saw distributions of approximately 100.0% of CMMT's distributable income to Unitholders.

*Intended Outcome 12.0*

*Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.*

***Practice 12.1: Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.***

The Manager is committed to treating all Unitholders fairly and equitably.

All Unitholders enjoy specific rights under the Trust Deed and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions. They are also entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings (including through proxies, if they are unable to attend in person, or if their Units are held through corporations).

All Unitholders were given at least 28 days' notice prior to the Annual General Meeting which is beyond the minimum requirement of 21 days. The notice includes details of the resolutions proposed along with any background information and reports or recommendations that are relevant. The Annual General Meeting of CMMT for 2021 will take place on 31 March 2021. Full details and the notification can be found in the Notice of Annual General Meeting section of CMMT's Annual Report 2020.

***Practice 12.2: All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.***

***Practice 12.3: Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate –***

- (a) voting including voting in absentia; and***
- (b) remote shareholders' participation at General Meetings***

## CORPORATE GOVERNANCE

CMMT supports the principle of encouraging Unitholders' participation and voting at general meetings. CMMT's Annual Report 2020 is provided to Unitholders within 2 months from the end of CMMT's financial year. Unitholders may download CMMT's Annual Report 2020 from the Website and printed copies of the same are available upon request. More than the legally required and minimum notice period for general meetings is generally provided by CMMT. Unitholders will receive the notices of general meetings and may download these notices from the Website. Notices of the general meetings are also advertised in the press and issued on Bursa Link. The rationale and explanation for each agenda item which requires Unitholders' approval at a general meeting are provided in the notice of the general meeting or in the accompanying circular (if any) issued to Unitholders in respect of the matter(s) for approval at the general meeting. This enables Unitholders to exercise their votes on an informed basis. Unitholders can download CMMT's Annual Report 2020 and notice of the annual general meeting electronically at [www.cmmt.com.my](http://www.cmmt.com.my) while printed copies will be available upon request. Notices of the general meetings are also advertised in the press and issued via Bursa Link. All Unitholders are given the opportunity to participate effectively in and to vote at general meetings.

At the fully virtual AGM of CMMT held on 19 June 2020 ("2020 AGM"), the Manager had leveraged on technology to facilitate remote Unitholders' participation and electronic voting for the conduct of poll on the resolutions for the first time. The entire AGM proceedings were held through Remote Voting and Participation ("RVP") facilities provided by the unit registrar of CMMT, Tricor Investor & Issuing House Services Sdn. Bhd. The administrative details of the AGM as well as the detailed registration and voting procedures were shared with the Unitholders and the same were also published in the Website.

At the 2020 AGM, Management made a presentation to Unitholders to update them on CMMT's performance, position and prospects. The presentation materials were made available to Unitholders on the Website and BursaLink. Unitholders were informed of the rules governing general meetings and were given the opportunity to communicate their views and discuss with the Board and Management matters affecting CMMT. Representatives of the Trustee, Directors (including the chairmen of the respective Board Committees) and key management personnel were present for the entire duration of the 2020 AGM to address any queries from the Unitholders.

To safeguard Unitholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings. To ensure transparency in the voting process and better reflect Unitholders' interest, the Manager conducts electronic poll voting for all the resolutions proposed at the general meetings. One Unitholder is entitled to one vote. Voting procedures and the rules governing are explained and vote tabulation procedures are disclosed at the general meetings. An independent scrutineer is also appointed to validate the vote tabulation procedures. Votes cast, for or against and the respective percentages, on each resolution are tallied and displayed 'live on-screen' to Unitholders immediately at the general meetings. An independent scrutineer is also appointed to validate the vote tabulation procedures. Votes cast for or against and the respective percentages, on each resolution are tallied and displayed 'live' on-screen to Unitholders immediately after each resolution is voted on at the general meeting. The total number of votes cast for or against each resolution and the respective percentages are also announced on Bursa Link after the general meetings. Voting in absentia and by email may only be possible following careful study to ensure that the integrity of information and authentication of the identity of Unitholders through the web are not compromised.

Minutes of the general meeting, recording the substantial and relevant comments made, questions raised and answers provided, are prepared and made available to Unitholders for their inspection upon request. Summary of key matters discussed at the annual general meeting are also made available on the Website.

## OTHERS

### Dealing with Related Parties

#### *Review Procedures for Related Party Transactions (including Recurrent Related Party Transactions)*

The Manager has established internal control procedures to ensure that all Related Party Transactions are made on terms which are the best available for CMMT and which are no less favourable to CMMT than an arm's length transaction between independent parties. In respect of such transactions, the Manager would have to demonstrate to the AC that the transactions are the best available for CMMT and are no less favourable than an arm's length transaction between independent parties which may include obtaining (where applicable) third party quotations or obtaining valuations from independent valuers (in accordance with the REITs Guidelines and the Listing Requirements). The internal control procedures also ensure compliance with the Listing Requirements and the REITs Guidelines.

In particular, the procedures in place include the following:

Related Party Transactions <sup>1</sup> (RPT) with percentage ratio <sup>2</sup> :	Internal Approval, Procedures and Disclosure
Below 0.25%	Audit Committee recommends to Board <sup>4</sup>
0.25% or more	Audit Committee recommends to Board <sup>4</sup> Immediate announcement
5% or more	Audit Committee recommends to Board <sup>4</sup> Immediate announcement Independent Adviser Unitholders
25% or more	Audit Committee recommends to Board <sup>4</sup> Immediate announcement Independent Adviser Principal Adviser Unitholders
Recurrent Related Party Transactions (RRPT) with percentage ratio <sup>2</sup>	Immediate Announcement, Independent Adviser and Unitholders
Below 1% <sup>3</sup>	Audit Committee recommends to Board <sup>4</sup>
1% or more	Audit Committee recommends to Board <sup>4</sup> Immediate announcement

1 RPT of less than RM500,000 or RRPT is noted.

2 The calculation is based on the total assets which are the subject matter of the transaction compared with the total assets of CMMT.

3 Periodic review only.

4 Board save for interested directors who shall abstain.

## CORPORATE GOVERNANCE

### *Role of the Audit Committee for Related Party Transactions*

The Manager's internal control procedures are intended to ensure that RPT are conducted on terms which are best available for CMMT and which are no less favourable to CMMT than arm's length transaction between independent parties.

The Manager maintains a register to record all Related Parties of CMMT and RPT which are entered into by CMMT (and the basis, including the quotations obtained to support such basis upon which they are entered into). All RPT are subject to regular periodic reviews by the AC, which in turn obtains advice from CL IA, to ascertain that the guidelines and procedures established to monitor RPT, including the relevant provisions of the Listing Requirements and the REITs Guidelines, as well as any other guidelines which may from time to time be prescribed by Bursa Malaysia, the SC or other relevant authority, have been complied with. The review includes an examination of the nature of the transaction and its supporting documents or such other information deemed necessary by the AC. If a member of the AC has an interest in a transaction, he is to abstain from participating in the review and approval process in relation to that transaction.

Details of all RPT entered into by CMMT during the financial year are disclosed on page 173 of the Financial Statements section of CMMT's Annual Report 2020.

### *Dealing with Conflicts of Interest*

The following principles and procedures have been established to deal with potential conflicts of interest which the Manager (including the Directors, executive officers and employees of the Manager) may encounter in managing CMMT:

- (a) The Manager will be a dedicated manager to CMMT and will not manage any other REITs or be involved in any other real property business;
- (b) All executive officers of the Manager will be employed by the Manager;
- (c) All resolutions at meetings of the Board of the Manager in relation to matters concerning CMMT must be decided by a majority vote of the Directors, including at least one ID;
- (d) In respect of matters in which CapitaLand and/or its subsidiaries have an interest, whether direct or indirect, any nominees appointed by CapitaLand and/or its subsidiaries to the Board will abstain from voting;
- (e) In respect of matters in which a Director or his associates have an interest, whether direct or indirect, such interested Director will abstain from voting;
- (f) If the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of CMMT with an affiliate of the Manager, the Manager is obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of CMMT, has a prima facie case against the party allegedly in breach under such agreements, the Manager is obliged to pursue the appropriate remedies under such agreements. The Directors of the Manager have a duty to ensure that the Manager complies with the aforesaid. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee with an affiliate of the Manager, and the Trustee may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against an affiliate of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such affiliate; and
- (g) The Board shall comprise at least one-third of IDs. Currently the Board comprises a majority of IDs.

The Manager and the Trustee have been granted a right of first refusal (ROFR) by CapitaLand Mall Asia Limited (CMA) where:

- (a) For so long as the Manager shall remain the manager of CMMT and whereby the Manager and CMA are both subsidiaries of CapitaLand, neither CMA nor any subsidiary of CMA, will (a) purchase any relevant retail property which CMA and/or its subsidiaries may identify and target for acquisition in the future without granting the ROFR to CMMT to purchase such relevant retail property at the offer price and based on the terms and conditions as proposed to the relevant member of CMA and its subsidiaries, subject to various procedural requirements, including notice provisions, as set out in the letters of undertakings; or (b) sponsor or act as the manager of another REIT or any listed company in Malaysia that competes or will compete for the acquisition of relevant retail property, save that (a) and (b) shall not be applicable to any relevant retail property which is the subject matter of any of the following:
  - (i) joint venture or proposed joint venture with CMA and/or its subsidiaries and any third party or parties; or
  - (ii) a proposal made exclusively available to CMA and/or its subsidiaries; or
  - (iii) a fund or proposed fund managed by CMA and/or its subsidiaries.
- (b) In the event CMA should sponsor a Malaysian retail property fund for the acquisition and/or development of relevant retail property, CMA shall endeavour to procure that such fund shall grant to CMMT a ROFR in relation to any relevant retail properties of which the fund wishes to dispose.

This undertaking has the effect of limiting the ability of CMA from undertaking or participating in certain business opportunities, as described above.

### Dealing in Securities

The Manager has devised and adopted a securities dealing policy for the Manager's officers and employees which applies the best practice recommendations in the Listing Requirements. To this end, the Manager has issued guidelines to its Directors and employees as well as certain relevant executives of the CL Group, which set out prohibitions against dealings in CMMT's Units (i) while in possession of material unpublished price-sensitive information, (ii) during the periods commencing 30 calendar days before the release of CMMT's quarterly results and up to the time of each announcement of CMMT's financial statements during a financial year. In addition, if any of such affected persons deal in CMMT's Units during the closed periods or outside closed periods under the Listing Requirements, they are required to comply with the conditions as set out in the Listing Requirements. They are also made aware of the applicability of the insider trading laws at all times.

### Fees payable to the Manager

The methodology for computing the fees payable to the Manager is contained in Clause 18 of the Trust Deed, details of which are disclosed under Notes to Financial Statements.

The Management Fees, which are contained in Clause 18 of the Trust Deed, are fees earned by the Manager for the management of CMMT's portfolio. The Management Fees are fees earned by the Manager for the management of CMMT's portfolio. The Management Fee should be viewed holistically as a whole which comprise two components, namely the Base Fee and Performance Fee, which are elaborated further below:

### Base Fee

The Base Fee enables the Manager to cover operational and administrative overheads incurred in the management of the portfolio. The Base Fee is calculated at a percentage of assets value as the asset value provides an appropriate metric to determine the resources for managing the assets.

## CORPORATE GOVERNANCE

### Performance Fee

The Performance Fee is calculated in reference to the net property income before payment of the Management Fee, for each Distribution Period based on the unaudited or as the case may be, the audited accounts of the Trust determined for the relevant Distribution Period but subject to reconciliation to the amount calculated by reference to the audited account of the Trust for the relevant Financial Year.

In addition, the Manager is also paid an Acquisition Fee or a Divestment Fee upon the successful completion of an acquisition or divestment respectively. Further details on the Acquisition Fee and Divestment Fee are provided below:

### Acquisition Fee

The Acquisition Fee, which is contained in Clause 18.3 of the Trust Deed, is earned by the Manager upon the successful completion of an acquisition. This fee seeks to motivate and compensate the Manager for its efforts expended to continually seek and acquire Distribution Per Unit accretive assets to increase longer term returns for Unitholders. In addition, the Acquisition Fee allows the Manager to recover the additional costs and resources incurred by the Manager in the course of seeking new acquisition opportunities, including but not limited to, due diligence efforts and man hours spent in evaluating the transaction.

### Divestment Fee

The Divestment Fee, which is contained in Clause 18.3 of the Trust Deed, is earned by the Manager upon the completion of a divestment. This fee seeks to motivate and compensate the Manager for its efforts expended to maximise value received by CMMT in the event of a divestment. In addition, the Divestment Fee allows the Manager to recover additional costs and resources incurred by the Manager for the divestment, including but not limited to due diligence efforts and man hours spent in marketing and maximising the divestment price.

### Composition and Meeting Attendance in FY 2020

Board Members	Composition			Meeting Attendance		
	Audit	Executive Committee	Corporate <sup>5</sup> Disclosure Committee	Board Number of Meetings Held: 4	Audit Committee Number of Meetings Held: 4	Executive Committee Number of Meetings Held: 4
David Wong Chin Huat	–	–	Chairman	4/4	N.A.	N.A.
Low Peck Chen	–	Member	–	4/4	N.A.	4/4
Tuan Haji Rosli bin Abdullah	Chairman	–	–	4/4	4/4	N.A.
Tan Boon Peng	–	–	–	4/4	N.A.	N.A.
Lui Chong Chee <sup>1</sup>	Member	–	–	1/1	1/1	N.A.
Mohd Yusof bin Hussian <sup>1</sup>	Member	–	–	1/1	1/1	N.A.
Jonathan Yap Neng Tong <sup>2</sup>	–	Chairman	–	2/2	N.A.	2/2
Lim Cho Pin Andrew Geoffrey	Member	Member	Member	3/4	4/4	4/4
Ronald Tay Boon Hwee <sup>3</sup>	–	Chairman	Member	2/2	N.A.	2/2
Dato' Mohammed bin Haji Che Hussein <sup>4</sup>	Member	–	–	3/3	2/3	N.A.
Ng Chih Kaye <sup>4</sup>	Member	–	–	3/3	3/3	N.A.

N.A. – Not applicable

1 Appointed as a Director and a Member of the Audit Committee with effect from 1 October 2020.

2 Appointed as a Director and a Chairman of the Executive Committee with effect from 6 July 2020.

3 Resigned as a Director and a Chairman of the Executive Committee with effect 6 July 2020.

4 Resigned as a Director and Member of the Audit Committee with effect from 1 October 2020.

5 Dissolved with effect from 1 February 2020.

Training programmes, seminar and conferences attended by the Directors during FY 2020 were:

- › In House training on Overview of the Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (Messrs Justin Chin)
- › Virtual Board Meetings: In an Era of Social Distancing Boards (Institute of Corporate Directors Malaysia)
- › Invest Malaysia 2020 – Economic Recovery: Policies & Opportunities (Bursa Malaysia and Maybank)
- › Navigating the Pandemic: A Multispeed Recovery in Asia (Asia School of Business)
- › MIA Webinar Series: MPSAS 26 Impairment of Cash Generating Assets (Malaysian Institute of Accountants)
- › Awareness Training on Corporate Liability for Director and Senior Management (Axcelasia Columbus Sdn. Bhd).
- › Audit Committee Institute Virtual Roundtable 2020 – ESG perspective: Managing Recovery and Resilience (KPMG)
- › Citi-REITAS-SGX's C-Suite Singapore REITS & Sponsors Virtual Conference (REITAS)
- › CLF Knowledge Exchange 2 – Fundraising in Public and Private Markets (CLIMB)
- › COVID-19 Take-Overs and Mergers (Securities Industry Development Corporation)
- › Sustainable Real Estate – Trends in Asia and Beyond (HSBC)
- › Navigating Malaysia Competition Law: Future Developments and Emerging Risks After 10 Years of Enforcement (Allen & Gledhill)
- › MRMA x Maybank Investors Virtual Forum (Maybank Investment Bank)
- › CLF Knowledge Exchange 1 – Understanding Private Funds & Capital Management (CLIMB)
- › Invest Malaysia 2020 The Capital Market Conversation (Virtual Series 1) (Bursa Malaysia)
- › In conversation with Malaysia's Minister of Finance & the EPF's Chief Strategy Officer (Credit Suisse HLDGS HK Limited)